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~~TOP SECRET~~

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GENERAL

1. Arab reaction to US recognition of Jewish state--US Minister Childs in Jidda reports that the Saudi Arabians are "profoundly shocked" by the announcement of US recognition of the new Jewish state. Childs considers it possible that Saudi Arabia may sever relations with the US and that it may be necessary to evacuate the several thousand Americans living in Saudi Arabia. (Reports from other Arab countries indicate apprehension on the part of US representatives over the possibility of anti-US demonstrations and pogroms against the Jews.)

FAR EAST

2. KOREA: Soviet motives in cutting power to US Zone--US Economic Adviser Bunce believes that Soviet motives in cutting off the electric power to South Korea were almost entirely political. Bunce interprets this action as an attempt to: (a) impede preparations for the establishment of the new government in South Korea; (b) support the propaganda theme that Korean problems can best be settled by Koreans; (c) force de facto recognition by the US of the North Korean People's Committee; and (d) assist Communist agitators in South Korea by forcing factory shut-downs and curtailment of normal services. Bunce declares that the Soviet action will not force the US to negotiate an agreement, because the South Korean electric power potential has already been increased to 60% of capacity prior to 14 May and can be boosted to 80 or 90% during the July-August rains. Bunce suggests that if General Hodge is unsuccessful in settling the power issue with his Soviet colleague, it may be desirable to try to reach a settlement on "the Washington-Moscow level."

(CIA Comment: CIA concurs with Bunce's estimate of Soviet intentions.)

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